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Programme budget for the biennium 2016-2017

First performance report on the programme budget for the biennium 2016-2017

Report of the Advisory Committee on Administrative and Budgetary Questions

1. The Advisory Committee on Administrative and Budgetary Questions has considered the first performance report of the Secretary-General on the programme budget for the biennium 2016-2017 (A/71/576). During its consideration of the report, the Committee met with representatives of the Secretary-General, who provided additional information and clarification, concluding with written responses received on 8 December 2016.

2. The first performance report on the programme budget for the biennium 2016-2017 reflects adjustments required because of variations in the rates of inflation and currency exchange and in the standards assumed in the calculation of the initial appropriations. The report also takes into account the additional mandates that the General Assembly and the Security Council have approved since the appropriation of the programme budget, as well as unforeseen and extraordinary items that could not be deferred to the second year of the biennium.

3. In his report, the Secretary-General points out that the primary purpose of the first performance report is to identify revised estimates required because of variations in the rates of inflation and exchange and in standards since the calculation of the initial appropriations. This is in conformity with the requirements of General Assembly resolution 32/211 (A/71/576, para. 1). The Advisory Committee was informed that the report of the Secretary-General is in full compliance with those requirements and that all the required changes to the costing parameters have been included therein.

4. The revised requirements under the expenditure sections amount to $5,460.7 million, an increase of $51.9 million, or 1.0 per cent, over the appropriation level of $5,408.7 million approved by the General Assembly in its resolutions 70/248 B and C

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and 70/249 A-C. Table 2 of the report of the Secretary-General provides details on the determining factors that lead to the increase under the expenditure sections.

5. A summary of revised estimates for the income sections for the biennium is presented in table 1.B of the report of the Secretary-General. The revised estimates amount to $533.1 million, which is an increase of $1.2 million, or 0.2 per cent, over the initial estimate for the biennium 2016-2017 of $531.9 million (see also paras. 20-24 below).

6. The Advisory Committee notes that the programme budget appropriation comprises $5,401.8 million from the initial appropriation as well as an additional appropriation totalling $6.9 million approved by the General Assembly during its resumed seventieth session. This includes revised estimates in respect of the United Nations Monitoring Mechanism and the implementation of the recommendations of the High-level Independent Panel on Peace Operations.

7. The report of the Secretary-General indicates that revised estimates and statements of programme budget implications in response to several draft resolutions under consideration by the Main Committees of the General Assembly at the time of the finalization of the first performance report amount to approximately $145.2 million. These amounts are being handled outside the context of the first performance report and include, inter alia, increases relating to the proposed revised estimates in respect of special political missions ($60.6 million), estimates in support of the implementation of the 2030 Agenda for Sustainable Development and the Addis Ababa Action Agenda of the Third International Conference on Financing for Development ($24.5 million) and a request for a subvention to the Extraordinary Chambers in the Courts of Cambodia ($16.2 million) (A/71/576, para. 6). The observations and recommendations of the Advisory Committee are contained in its respective reports on these subjects (A/71/595, A/71/632 and A/71/550). The Committee notes that the amounts exclude the requirements for the United Nations Mission in Colombia ($64.1 million) and the Organization for the Prohibition of Chemical Weapons-United Nations Joint Investigative Mechanism ($3.3 million), as well as certain statements of programme budget implications that had not been finalized at the time of the issuance of the first performance report.

Unforeseen and extraordinary expenses

8. The report of the Secretary-General details the unforeseen and extraordinary expenses for the biennium 2016-2017 totalling $8.15 million incurred under the terms of General Assembly resolution 70/250. Table 3 provides a list of the commitments approved by the Advisory Committee ($5.48 million) (table 3.A), commitments approved by the Secretary-General relating to the maintenance of peace and security and for security measures, pursuant to the authority granted under paragraphs 1 (a) and 1 (c) of Assembly resolution 70/250 ($2.62 million) (table 3.B) and commitments approved by the President of the International Court of Justice ($50,000) (table 3.C).

9. Concerning the commitments approved by the Advisory Committee, upon request, the Committee was provided with a breakdown of all the commitments it had approved and the related sections of the programme budget, as well as the commitments recently submitted to it for approval, which are set out below:

(Thousands of United States dollars)

Section 2. General Assembly and Economic and Social Council affairs and conference management	
Preventing the deterioration of the human rights situation in Burundi	155.20
Situation of human rights in South Sudan	72.40
The human rights situation in the Syrian Arab Republic	349.00
Section 24. Human rights	
Preventing the deterioration of the human rights situation in Burundi	636.10
Situation of human rights in South Sudan	431.30
The human rights situation in the Syrian Arab Republic	3 550.20
Situation of human rights in the Democratic People's Republic of Korea	276.10
Section 29F. Administration, Geneva	
Situation of human rights in South Sudan	12.20
Subtotal[a]	**5 482.50**
Section 3. Political affairs	
United Nations Mission in Colombia	8 500.00
United Nations Mission in Colombia: additional requirements[b]	5 137.00
Office of the Special Envoy of the Secretary-General for Syria: additional requirements	4 693.20
United Nations Support Mission in Libya: additional requirements	4 991.20
Office of the Special Envoy of the Secretary-General for Yemen: additional requirements	1 186.30
Subtotal	**24 507.70**
Total	**29 990.20**

[a] The amounts take into account actual expenditure experience and are therefore lower than the total amount approved by the Advisory Committee.

[b] New commitment authority currently under review by the Advisory Committee (as of 2 December 2016).

The amounts include commitments of $24.5 million approved by the Committee or under consideration by the Committee which are being sought for appropriation in the context of the overall requirements for special political missions contained in the related report of the Secretary-General (A/71/365).

10. Concerning the $2.62 million[1] approved under the authority of the Secretary-General set out in table 3.B of the report, the Advisory Committee recalls that, pursuant to paragraphs 1 (a) and 3 (c) of General Assembly resolution 70/250, the Secretary-General has the authority to enter into commitments in the biennium 2016-2017 to meet unforeseen and extraordinary expenses for: (a) such

[1] The $2.62 million does not include commitments of $990,200 approved by the Secretary-General in respect of the start-up of the United Nations Mission in Colombia, which are sought in the context of the overall requirements for special political missions.

commitments not exceeding a total of $8 million in any one year of the biennium as relating to the maintenance of peace and security; and (b) such commitments not exceeding a total of $1 million as required for security measures. During its review of the report of the Secretary-General, the Committee sought background information on the commitments approved under this authority and was provided with related detail, which is contained in the annex to the present report.

11. Included in these commitments approved by the Secretary-General is an amount of $725,600 in respect of security requirements for the United Nations High Commissioner for Human Rights, which is to be charged against section 34 of the programme budget, Safety and security. Upon enquiry, the Advisory Committee was informed that the commitment was provided to cover the cost of personal protection measures for the current High Commissioner.

Variations in budgetary assumptions for the biennium 2016-2017

12. The variations in the budgetary assumptions for the 2016-2017 biennium contained in the report of the Secretary-General include: (a) net increases as a result of exchange rate fluctuations ($47.7 million); (b) decreases due to adjustments in inflation rates ($12.85 million); (c) increases in standard staff costs ($30.3 million); and (d) decreases due to the differences between actual and budgeted vacancy rates ($34.1 million) (A/71/576, paras. 19-43).

13. Concerning the changes in foreign currency rates, the Secretary-General indicates that the $47.7 million net increase comprises $59.6 million relating to the difference in the exchange rates approved in the initial budget appropriation and the updated rates presented in the current report, offset in part by an amount of $11.96 million relating to gains from forward purchasing of Swiss francs and euros. In particular, the increase reflects the general depreciation of the United States dollar in a number of operational rates experienced from January to October 2016 compared with the rates foreseen at the time of the initial appropriation (A/71/576, para. 21). Fluctuations in a number of other currencies are also described in the report (ibid., paras. 19-26). With regard to inflation, the report provides further details on post and non-post elements that led to decreased requirements of $12.85 million (ibid., paras. 33-38).

14. On the matter of currency exchange rate movements, the report states that the General Assembly, in its resolution 67/246, authorized the Secretary-General to utilize forward purchasing to protect the United Nations against exchange rate fluctuations. The forward purchasing of foreign currency is a financial instrument that provides additional certainty to entities that enter into this type of contract, as it predefines the price of foreign currency to be purchased in the future. The price is based on the spot rate of exchange applicable at the time of the agreement and is subsequently adjusted on the basis of the applicable interest rates.

15. The Secretary-General provides details on the experience of this forward purchasing for the current biennium in his report (A/71/576, paras. 27-32). It is indicated that under the forward purchasing contract for 2016, the United Nations purchased 300 million Swiss francs and 48 million euros at a predefined rate of exchange which, with the weakening of the United States dollar against these currencies, resulted in a net positive difference between the contracted forward rates and the United Nations operational rates of exchange, which would have been used

in the absence of the forward contract. For 2017, the United Nations entered into a forward contract in October 2016 to purchase the same amounts of Swiss francs and euros at predefined rates. The Secretary-General indicates that the practice has provided more certainty and, in view of exchange rate movements since the introduction of this practice, resulted in a net positive difference of $4.6 million in 2013 when it was first undertaken, $7.1 million in the biennium 2014-2015 and $11.9 million for the period from January to October 2016, thereby reducing the budgetary requirements for the respective budgetary periods. According to the Secretary-General, it is expected that the positive and negative differences will offset each other and that, over the long term, the amounts paid for foreign currency will be similar, whether the entity uses forward contracts or the spot rate.

16. As to the timing of the forward contracts, the Advisory Committee was informed, upon enquiry, that, for 2016, the contracts were put in place in December 2015 at the time when the General Assembly was considering the biennial report of the Secretary-General on the effect of rates and inflation. However, for 2017, forward contracts were undertaken in mid-October 2016 so as to enable continued application of forward rates in the first performance report. In view of the considerable volatility in exchange rates in the final months of 2016, the Committee requested that a hypothetical calculation be made to determine the overall financial impact if forward contracts had been finalized in December 2016. The details of this simulation could not, however, be completed by the time of the finalization of the present report. **The Advisory Committee trusts that the Secretary-General will provide to the General Assembly the results of the simulation exercise to reflect the impact of entering into forward contracts in December rather than October 2016 at the time of its consideration of the first performance report. The Committee is of the view that it may be beneficial for the Secretary-General to establish clear criteria and procedures for the determination of the most appropriate date to enter into forward contracts in order to mitigate budgetary uncertainty with respect to exchange rate movements.**

17. As indicated in paragraphs 39 to 41 of the report of the Secretary-General, adjustments to standard costs reflecting the net effect of changes in standard salary costs, common staff costs and staff assessment rates amount to an increase of $30.3 million. This includes revisions to standard salary costs for 2016, which are based on the actual average payroll experience at each duty station. A net increase of $22.3 million reflects average net base salary costs that are higher than had been projected in the initial appropriation. Also included are adjustments to common staff costs, which show a net increase of $5.7 million, based on actual experience during the biennium 2014-2015 and for the period from January to September 2016, as compared with the amounts foreseen in the initial appropriation.

18. The Advisory Committee was informed, upon enquiry, that the increase in standard costs represented an equivalent of 1 per cent of the overall appropriation for net salary costs. The amount reflects $2.3 million under the Professional and higher categories and $12.3 million under the General Service and related categories, both broadly attributable to step increases and an increased percentage in the number of dependent staff. Increases in common staff costs reflected increases in medical insurance costs due to higher monthly premium rates and changes in staff composition. This increase was partly offset by a reduction in appointment and

transfer costs mainly related to reduced travel costs and a reduction in separation costs attributed to lower indemnity payments and travel costs.

19. As indicated in the report of the Secretary-General (A/71/576, paras. 42 and 43), the General Assembly decided that vacancy rates of 9.0 per cent for Professional and 6.0 per cent for General Service posts for continuing posts, and a vacancy rate of 50.0 per cent for new posts for both categories, should be used as a basis for calculation of the budget for the biennium 2016-2017. The Secretary-General also indicated that the average realized vacancy rates from January to September 2016 were 10.1 for Professional posts and 7.1 per cent for General Service posts.

Revised estimates for 2016-2017

20. As previously indicated, the report of the Secretary-General sets out revised requirements under the expenditure sections amounting to $5,460.7 million for the biennium 2016-2017. With respect to income estimates, in his report, the Secretary-General outlines the revised income estimates for the biennium amounting to $533.1 million, an increase of $ 1.2 million, or 0.2 per cent, comprising: (a) an increase of $6.9 million under income section 1, Income from staff assessment; (b) an increase of $415,600 under income section 2, General income, largely reflecting an increase in income from rental of premises; and (c) a decrease of $6.2 million under income section 3, Services to the public (A/71/576, paras. 45-49).

21. Upon request, the Advisory Committee was provided with a breakdown of the general income reported under income section 2, which showed that income estimates relating to the reimbursement for services have been revised downward to $826,000 from the original estimate of $1.5 million, representing a reduction of 45 per cent.

22. Regarding the decrease in income arising from income section 3, Services to the public, resulting from the downward revision in the estimated revenues, the report of the Secretary-General indicates that this is primarily attributable to lower than anticipated revenues from sale of philatelic items and print publications and from guided tours at Headquarters, and a temporary suspension of royalty payments from the vendor for Headquarters catering operations. In this connection, the Advisory Committee sought additional information relating to the downward revision of these income estimates.

23. As regards income from guided tours at Headquarters, the Advisory Committee was informed, upon enquiry, that despite an increase in over 40,000 visitors taking the United Nations tour through 2016, as compared to the same period in 2015, reduced revenues may be attributable to tightened security restrictions, delays in recruiting new staff and the high turnover of public information assistants. With regard to the revenue estimates relating to the United Nations Postal Administration, the Committee was informed that estimates had been consistently revised downward based on sales trends and the declining and ageing market for philatelic products. The Committee was also informed that measures were being taken to reduce operating costs and to re-size the structure of the Postal Administration. **The Advisory Committee notes the intention of the Secretary-General to take steps to contain expenditures and improve efficiency. In this connection, the Committee reiterates its previous suggestion that a review of**

the potential of the United Nations Postal Administration to generate revenue may be useful (see A/68/7, para. IS3.3, and A/70/7, para. IS3.5).

24. **The Advisory Committee reiterates its concern that the income estimates in connection with income section 3 have required downward revision over the past four bienniums. The Committee intends to keep this matter under review in the context of its consideration of the proposed programme budget for the biennium 2018-2019.**

25. The action to be taken by the General Assembly is set out in paragraph 50 of the report of the Secretary-General. **The Advisory Committee recommends that the General Assembly approve the revised estimates contained in the report of the Secretary-General, subject to such adjustments as may be necessary as a result of the Assembly's consideration of matters now before it, including the consolidated statement of revised estimates and programme budget implications.**

Annex

Background information on commitments approved under the terms of paragraphs 1 (a) and 1 (c) of General Assembly resolution 70/250

Delegate of the Secretary-General to the Colombian Peace Process: $481,300

In furtherance of the implementation of Security Council resolution 2261 (2016) concerning the Colombian peace process, the amount of $481,300 was approved to cover the activities of the delegate of the Secretary-General to the Colombian peace process for the period from 1 January to 12 May 2016. The resources provide for four temporary positions (1 USG, 2 P-5, 1 General Service) and other operational costs.

Review of the United Nations peacebuilding architecture: $170,900

The amount of $170,900 covers the resources required to support the extension of the 2015 review of the United Nations peacebuilding architecture until the end of March 2016. The resources provide for two positions (1 P-5 and 1 P-3) and other operational costs.

Senior adviser for Asia and the Pacific: $93,000

The amount of $93,000 covers the travel and other operational costs of the senior adviser for Asia and the Pacific to facilitate efforts to de-escalate the ongoing political crisis in the Maldives.

Study on youth, peace and security: $409,600

The amount of $409,600 covers some of the requirements for the study on youth, peace and security mandated by the Security Council in its resolution 2250 (2015), in which the Council requested the Secretary-General to carry out a study on the positive contribution of youth to peace processes and conflict resolution, in order to recommend effective responses at local, national, regional and international levels, and to make the results of the study available to the Security Council and all States Members of the United Nations. Extrabudgetary contributions are also expected to cover the majority of the costs for the study. The resources provide for one General Service (Other level) position for the period of 4 months from 1 September to 31 December 2016 and other operational costs.

Syrian Arab Republic board of inquiry: $739,300

The amount of $739,300 covers the activities of the Syrian Arab Republic board of inquiry for a period of two months, from 12 October to 11 December 2016. The resources provide for four positions (1 USG, 1 ASG, 2 D-1) and other operational costs.

United Nations Mission in Colombia: $990,200

In addition to the commitment authorities reported above in the first performance report, a commitment authority of $990,200 was approved by the

Secretary-General to cover requirements related to the start-up of the new United Nations Mission in Colombia, pursuant to Security Council resolution 2261 (2016). This commitment authority is not included in table 3.B of the report of the Secretary-General as it is sought in the context of the overall requirements for special political missions for appropriation under the report of the Secretary-General on estimates in respect of special political mission, good offices and other political initiatives authorized by the General Assembly and/or the Security Council (see A/71/365 and Add.7). The resources provide for 15 positions (1 USG, 1 D-2, 2 D-1, 4 P-5, 3 P-4, 2 P-3, 1 General Service (Other level), 1 Field Service) as well as other operational costs.

Security for the United Nations High Commissioner for Human Rights: $725,600

The above requirements are requested for the security of the United Nations High Commissioner for Human Rights.